

WAUKESHA COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Waukesha County (the County) was incorporated in January 1846, and operates under the provisions of the Wisconsin State Statutes, Chapter 59. A County Executive who took office on April 16, 1991 and has been reelected in 1995 and 1999 governs the County. The powers and duties of the County Executive are to coordinate and direct all administrative and management functions of the county government not otherwise vested by law in boards or commissions or in other elected officials. The Executive appoints all department heads and members of all boards and commissions, which are then subject to County Board confirmation.

A major responsibility of the County Executive is budget preparation and its subsequent submission to the County Board for approval. The Executive may veto an ordinance or resolution passed by the County Board. In addition, the Executive may exercise a partial veto of legislation that involves an appropriation. A two-thirds vote of the 35 elected members of the County Board is necessary to override a County Executive veto.

The County provides many functions and services to citizens, including law enforcement, administration of justice, health and social services, parks and cultural activities, planning and zoning, education and general administrative services. Other activities include the operation of a transportation system (maintaining 385 miles of County owned road and 241 miles of State highways under a maintenance contract with the State), a reliever airport, golf courses, ice arenas, recycling facility, and a convention and meeting facility.

The accounting policies of the County conform to generally accepted accounting principles as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the County are described below.

A. REPORTING ENTITY

This report includes all of the funds and account groups of the County of Waukesha. The reporting entity for the County consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

Included within the reporting entity:

Waukesha County Housing Authority

The general-purpose financial statements include the Waukesha County Housing Authority ("Housing Authority") as a component unit. The Housing Authority is a legally separate organization. The Board of the Housing Authority is appointed by the Waukesha County Executive and confirmed by the County Board. Wisconsin Statutes provide for circumstances whereby the County of Waukesha can impose its will on the Housing Authority, and also create a potential financial benefit to or burden on the County of Waukesha. See note 15. As a component unit, the Housing Authority's financial statement has been presented as a discrete column in the general-purpose financial statements. The information presented is for the fiscal year ended September 30, 2001. Separately issued financial statements of the Waukesha County Housing Authority may be obtained from the Housing Authority's office at 120 Corrina Blvd., Waukesha, Wisconsin, 53186.

B. FUND ACCOUNTING

The accounts of the County are organized on the basis of funds and account groups each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. County resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The various funds in the financial statements in this report are grouped into three broad fund categories comprised of seven generic fund types as follows:

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term principal, interest and related costs.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources, which are used for all acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

PROPRIETARY FUNDS

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the County or to other governments on a cost reimbursement basis.

FIDUCIARY FUNDS

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. These include Expendable Trust and Agency Funds. Expendable Trust Funds are accounted for in essentially the same manner as governmental funds. The Statement of Revenues, Expenditures and Changes in Fund Balance is presented in the Combined section of this report. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

ACCOUNT GROUPS

The two account groups (General Fixed Assets Account Group and General Long-Term Obligations Account Group) are not "funds." They are financial reporting devices designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

C. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net assets.

All governmental fund types, expendable trust funds and agency funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for revenue recognition for all governmental fund revenues, except for interfund transactions and delinquent property taxes (see Note 3). Expenditures, except for unmatured interest on long term debt, claims, judgments, compensated absences, and pension expenditures are recorded when the related fund liability is incurred.

Those revenues susceptible to accrual are general intergovernmental assistance, intergovernmental contracts/ grants, charges for services, interdepartmental revenues and interest income. Fine and license revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The County reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the County receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the County has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet

and revenue is recognized.

Proprietary fund types utilize the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The proprietary funds have elected to follow Financial Accounting Standards Board pronouncements issued before November 30, 1989, and all pronouncements of the Government Accounting Standards Board.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

D. BUDGET AND BUDGETARY ACCOUNTING

The County prepares an annual operating and capital budget and makes annual appropriations for the General Fund and all Special Revenue, Debt Service, Capital Project, Enterprise and Internal Service funds. The capital projects and operating budget follow separate processes as indicated below:

1. Department heads submit all capital project requests and capital plan modifications to the County Executive by June 1.
2. Prior to July 31, all department heads submit to the County Executive a proposed operating budget for the fiscal year which commences the following January 1. The operating budget includes proposed expenditures and the means of financing them.
3. The County Executive makes capital and operating budget decisions, setting funding priorities during the month of August.
4. On or before September 1, the County Executive submits to the County Board the five-year capital plan, which includes the first year annual capital budget. This begins the County Board's annual capital plan review process.
5. On or before October 1, the County Executive submits the annual budget to the County Board, which commences the annual operating and capital budget review process.
6. The County Board chairperson designates distribution of the annual budget to the appropriate standing committees of the Board to conduct policy review and public hearings. Prior to November 1, standing committees convey proposed budget amendments and budget issues to the Finance Committee for consideration.

7. The Finance Committee prepares budget amendments for consideration by the Full County Board.
8. Public hearings are held during October and November concerning the proposed budget in conjunction with County Board deliberations on the annual budget, including capital budget appropriations.
9. The County Board reviews and takes action on proposed budget amendments and adopts the budget by the third Tuesday in November.
10. The County Executive vetoes (if any), and the County Board then reviews and takes action on vetoes (if necessary) in late November or early December to legally enact the final approved County budget.

When developing budgetary data for presentation in financial statements, County policy is followed which requires that budgeted appropriations are controlled by appropriation unit within an agency within fund approved by the County Board. Budget is defined as the originally approved budget, plus or minus approved modifications. Expenditures cannot legally exceed appropriations at the agency level, pursuant to s.65.90, Wisconsin State Statutes. However, for General and Special Revenue funds, the County has chosen a more restrictive control in the form of appropriation units, defined as groups of account classes within a department, including personnel costs, operating expenses, interdepartmental charges, and capital outlay. For Proprietary funds budgetary control is at the fund level. For Capital Project funds, budgetary control is at the individual project level.

The County uses nine Capital Projects funds. Budgets have been established for eight funds. A 2001 budget has not been established for the 2002 Capital Projects fund because there was no activity in 2001. This fund is used to record a receivable and deferred revenue for the 2002 tax levy.

State statutes, (s.65.905 (a), Wis. Stats.), provide for the County Board to authorize an amendment of the budget by a vote of two-thirds of the entire membership of the Board. The County Board has authorized the Finance Committee, under County Code, cite Section 2-211(c)(3), the following fund transfer authority:

1. A transfer of funds from one appropriation unit to another appropriation unit within the agency budget.
2. A transfer of funds from the Contingency Fund, not to cumulatively exceed 10% of the funds originally appropriated for an agency in a fiscal year.

In addition, the statutes allow supplemental budget appropriations to be made from unanticipated revenues received or fund equity, as defined by ordinance and adopted by two-thirds approval of the County Board.

Formal budgetary integration is employed as a management control device for the General, Special Revenue, Debt Service, Capital Projects, Enterprise and Internal Service funds.

Supplemental appropriations necessary for 2001 were as follows:

	Adopted Budget	Modified Budget*	Increase (Decrease)
General	\$69,718,429	\$75,335,464	\$5,617,035
Special Revenue	82,774,727	86,841,543	4,066,816
Debt Service	11,161,184	28,105,617	16,944,433
Capital Projects	20,842,250	20,811,659	-30,591
Enterprise	9,587,968	9,730,894	142,926
Internal Service	11,713,724	12,011,552	297,828
Totals	\$205,798,282	\$232,836,729	\$27,038,447

*Excludes carryover project funds from prior years for General (\$1,162,320), Special Revenue (\$3,049,232), Capital Projects (\$13,581,411), Enterprise (\$6,068,911) and Internal Service (\$109,374).

The adopted budgets for the General, Special Revenue, Debt Service and Capital Project funds are prepared on a basis consistent with generally accepted accounting principles. A comparison of budget and actual is included in the accompanying financial statements for governmental fund types with annual budgets.

The adopted budgets for Enterprise and Internal Service funds are prepared on a basis consistent with generally accepted accounting principles. Both budget and accounting treat depreciation as an expense and for budget purposes capital outlay is a memo entry only.

The supplemental appropriation of \$16.9 million in the Debt Service Fund allowed the refunding of the outstanding portions of the 1994, 1995, and 1996 General Obligation Promissory Notes. The County issued a new \$16.3 million refunding note to obtain more favorable financing rates.

Budget and actual comparisons, excluding revenues for capital projects and capital costs of the County's Enterprise and Internal Service Funds for the year ended December 31, 2001 are as follows:

Enterprise Funds	Revenues		Expenses	
	Budget	Actual	Budget	Actual
Radio Services	\$ 779,475	\$ 933,370	\$ 792,644	\$ 566,248
Golf Courses	3,312,050	2,981,312	2,757,236	2,756,233
Expo Center	709,000	708,981	730,372	730,368
Ice Arenas	964,500	905,680	990,485	976,575
Materials Recovery Facility	1,175,000	2,084,577	1,549,395	1,372,118
Airport	813,978	816,386	932,473	*805,902
Internal Service Funds				
Vehicle Equipment Replacement	1,734,922	2,031,946	1,745,834	1,653,893
Central Fleet Maintenance	2,399,019	2,232,786	2,504,342	2,260,041
Records Management	1,499,792	1,503,952	1,499,792	1,459,337
Communications	861,104	807,056	984,537	909,105
Risk Mgmt/Self-Insurance	1,533,000	1,688,791	1,671,746	1,608,981
Collections	440,835	587,485	453,835	379,236
End User Technology Fund	1,601,578	1,545,553	2,944,209	2,741,008

- * Actual expenses exclude \$513,138 depreciation expense for fixed assets acquired by grants externally restricted for capital acquisitions and construction (\$1,319,040 – 513,138 = \$805,902).

Budgetary amounts lapse at year-end, except for unexpended appropriations for capital projects, which carry forward to the ensuing year. The County Board, by ordinance, can authorize the carry forward of prior year's unexpended appropriations to the ensuing year.

E. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds and Capital Projects Funds. Appropriations lapse at year-end except for outstanding encumbrances, which are automatically re-appropriated in the succeeding year under County Code Section 2-216.

F. INVESTMENTS

Temporary cash investments, principally SEC Rule 2(a)7 compliant AAA rated money market accounts, repurchase agreements, U.S. Government Securities and the State of Wisconsin Local Government Investment Pool, are stated at fair value.

All unrestricted assets in cash, money markets, and investment pool (see Note 2) are considered cash equivalents for purposes of the statement of cash flows. The cash and investment pool has the general characteristic of a demand deposit account for the Enterprise, Internal Service and Trust Funds in that these funds may deposit or withdraw cash at any time in the pool without prior notice or penalty. Investment income on commingled investments is allocated to certain accounting funds based on average balances.

G. ADVANCE TO OTHER FUNDS

Noncurrent portions of long-term interfund loans receivable reported in "Advance to" asset amounts in the General Funds are equally offset by a fund balance reserve account which indicates that they do not constitute expendable available financial resources since they are not a component of net current assets. Accordingly, the advances to the Radio Services, Ice Arena, and Risk Management Funds from the General Fund are offset by a reservation of fund balance within the General Fund.

H. INVENTORY

Inventories of the Special Revenue, Internal Service and Enterprise Funds are stated at cost, which approximates market, as determined by the moving average cost basis.

All inventories are accounted for using the consumption method, which requires expenditures to be recorded as inventories are used. Inventory quantities at December 31, 2001 were determined by physical counts. Inventory amounts of the Special Revenue Funds are offset by fund balance reserve amounts.

I. PREPAID ITEMS

Special reporting treatment is also applied to governmental fund prepaid items to indicate that they do not represent expendable available financial resources, even though they are a component of net current assets. Such amounts are offset by fund balance reserve accounts.

J. FIXED ASSETS

The County's capitalization policy indicates that the following assets are capitalized:

1. Items that are tangible, have a life greater than one year, and individually cost \$5,000 or more.
2. Major additions, including those that significantly prolong a fixed asset's economic life or expand its usefulness.

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the General Fixed Assets Account Group. All purchased fixed assets are capitalized at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are recorded at their estimated fair market value on the date received.

Interest is capitalized on enterprise fund property acquired with debt proceeds. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. Capitalized interest cost is amortized on the same basis as the related asset is depreciated. No interest expense was capitalized in 2001.

Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, are not capitalized.

Assets in the General Fixed Assets Account Group are not depreciated. Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	24-45 Years
Other than Buildings	10-30 Years
Machinery & Equipment	3-20 Years
Vehicles	2-12 Years

K. COMPENSATED ABSENCES

Compensated absences incurred by governmental fund types are recorded in the funds if they normally will be liquidated with expendable available financial resources; otherwise they are recorded in the General Long-Term Obligations Account Group. Compensated absences of proprietary funds are recorded as an expense and liability of those funds as the employees earn the benefits.

The County compensates all employees upon termination for unused vacation time. Generally, vacation pay is earned during one calendar year, used in the following calendar year and is forfeited if not used during that period.

County employees are entitled to sick leave at a rate of one day per month of full-time service up to a maximum of 120 days. Employees are not compensated for unused sick leave upon termination. However, upon retirement, several options are available for the conversion of accumulated sick leave benefits into retirement pay, based on contractual agreements with employee groups.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2001 are determined on the basis of current salary rate, and include salary-related payments.

L. POST EMPLOYMENT BENEFITS

The County currently provides post-retirement health insurance benefits for non-represented employees. To be eligible the employee must retire at the normal retirement age (or later) under the Wisconsin Retirement System or at age 55, provided the employee has twenty years of creditable County service. The benefits include the conversion to cash of sixty-five percent of the accumulated sick leave for these employees to pay for health care premiums. The cost of those premiums is recognized as an expenditure as the premiums are paid. The County pays the entire cost. Funding for these costs is provided by the current operating budget of the County and transferred to a separate fund upon the employee's retirement. Total expenditures for such premiums during 2001 were \$50,626. Ten participants are eligible to receive benefits as of December 31, 2001. The total amount outstanding

at year-end to be paid in the future is \$99,898 and is included in the General Long-Term Obligations Account Group.

M. LONG-TERM OBLIGATIONS/CONDUIT DEBT

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the General Long-Term Obligations Account Group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds. The County does not engage in conduit debt transactions.

N. NATURE AND PURPOSE OF RESERVATIONS AND DESIGNATIONS OF FUND

A county may establish reserves of fund balance and/or retained earnings to segregate that portion of fund equity which is not appropriable for expenditure in future periods, or which is legally segregated for a specific future use. Fund balance designations may also be established to indicate tentative plans for financial resource utilization in a future period.

The nature and purpose of each of the County's reserves and designations are explained as follows:

1. Reserve for self-insurance losses - This reserve represents amounts available for self-insurance losses.
2. Reserve for debt service - This reserve represents amounts provided for future payment of principal and interest on obligations of the County.
3. Reserve for trust purposes – This reserve represents the amount of fund balances to be used for future trust fund expenditures.
4. Reserve for capital projects - This reserve represents fully appropriated and legally authorized funds for future capital projects.
5. Reserve for prepaid items - This reserve is discussed in Note (1)I.
6. Reserve for inventories - This reserve is discussed in Note (1)H.
7. Reserve for non-current interfunds to other funds - This reserve is discussed in Note (1)G.
8. Reserve for delinquent property taxes – This reserve is discussed in Note (3).
9. Reserve for subsequent year's expenses/expenditures - These reserves represent carryovers of 2001 budget appropriations, restricted under contractual agreements, to be utilized for specific purposes in the 2002 budget as legally authorized by County Board ordinance.
10. Designated for subsequent year's expenditures - These amounts represent the amount of fund balances to be utilized in the 2002 budget as authorized by County Board ordinance.
11. Designated for capital projects – These amounts represent funds set aside for future capital projects.

O. COMPARATIVE DATA

Comparative total data for the prior year has been presented in the accompanying combining financial statements in order to provide an understanding of changes in the County's financial position and

operations. However, comparative (i.e., presentation of prior year totals by fund type) data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

P. MEMORANDUM ONLY - TOTAL COLUMNS

Total columns on the Combined Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

2) DEPOSITS AND INVESTMENTS

The County maintains a cash and investment pool that is available for use by all funds, except Agency Funds. The deposits and investments of the Agency Funds are held separately from those of other County funds. The deposit and investment balances of the various fund types on December 31, 2001 are as follows:

General Fund	\$42,394,069
Special Revenues Funds	8,593,134
Debt Service Funds	3,528,774
Capital Projects Funds	27,938,647
Enterprise Funds	14,004,701
Internal Service Funds	12,565,321
Internal Service Funds – Restricted	262,571
Trust and Agency Funds	26,879,614
Total	\$136,166,831

The County has adopted a formal investment policy which delegates authority to the Director of Administration to invest money of the County, to sell or exchange securities purchased and to provide for the safekeeping of such securities. The Department of Administration contracts with investment advisory firms for investment management services.

State statutes authorize the County to invest in obligations of the U.S. Treasury, agencies and instrumentalities; obligations of Wisconsin governmental units; bonds issued by a local exposition district, a local professional baseball park district, or by the University of Wisconsin Hospitals and Clinics Authority; time deposits with maturities of less than three years in any financial institution in Wisconsin; the State of Wisconsin Local Government Investment Pool; any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency; securities of an open-end management investment company or investment trust subject to

various conditions and investment options; and repurchase agreements with public depositories, with certain conditions. The County's adopted investment policy is more restrictive than the state statutes in that it limits participation in investment pools to 10% of total pool assets and prohibits investments in foreign securities, and the use of leverage. County policy also limits the use of open ended management investments (mutual funds) to Aaa/AAA rated money market funds.

The County only deposits and invests its monies in investments allowed by State Statute. At year end the carrying amount of the County's deposits and investments are listed as follows:

Deposits: At year-end the carrying amount of the County's deposits was \$27,728,312 and the bank balance was \$22,123,521. \$10,132,130 of the bank balance at year-end was covered by Federal and State depository insurance or by collateral held by the County's agent in the County's name. \$11,991,391 of the bank balance was uninsured or uncollateralized at year-end. In addition, the County maintains petty cash funds in the amount of \$47,020.

All deposits in financial institutions are insured to \$100,000 by federal depository insurance. Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual governmental units. This coverage has been considered in computing the amounts in the insured balance.

Investments: The County's investments are categorized below to give the indication of the level of custodial credit risk assumed at year-end. Category 1 includes investments that are insured or registered or for which the County or its agent in the County's name holds the securities. Category 2 includes uninsured and unregistered investments for which the counterparty's trust department or agent in the County's name holds the securities. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its safekeeping department or agent, but not in the County's name.

These categories do not disclose market risk, nor do they measure the risk of an issuer of securities being unable to fulfill their obligation. The categories simply indicate custodial risk and collateral relationships to the investment.

	Category 1	Amortized Cost	Fair Value and Carrying Amount
Repurchase Agreements	\$5,941,051	\$5,941,051	\$5,941,051
U.S. Government Securities	69,387,594	69,387,594	70,597,944
Investment in Wisconsin Local Government Investment Pool		24,341,884	24,341,884
Money Market Funds (U.S. Govt.)		7,248,049	7,248,049
Funds on Deposit with WMMIC – Pooled Funds		262,571	262,571
Total	\$75,328,645	\$107,181,149	\$108,391,499

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Realized gains or losses will typically not occur because investments are typically held to maturity or the life of the security.

The County has an agreement to collateralize all repurchase agreements. Pursuant to the agreement, U.S. Government securities, with a fair value equal to the County's investment in repurchase agreements are held by a third party safekeeping agent.

Included in the investment portfolio are federal government bonds and notes and federally insured government bonds and notes maturing on various dates through the year 2012. This portfolio requires an average maturity of five years or less. Also included is a portfolio of adjustable rate federally insured loan and mortgage pools with an average life of four to seven years.

The County also invests in two money market funds which invest solely in US Treasury or Agency securities or in repurchase agreements secured by such obligations. Both funds are rated "AAAm" by Standard and Poor's credit rating agency and "Aaa" by Moody's Investors Services and are regulated by the SEC under Rule 2a-7 of the Investment Company Act of 1940.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF) and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on a same-day basis.

The investment in the Wisconsin Local Government Investment Pool is carried at Fair Value which is substantially equal to the underlying value of their investments. This investment is guaranteed by the State Deposit Guarantee Fund to \$400,000. Investments in the local government investment pool are covered under a surety bond issued by Financial Security Assurance, Inc. The bond insures against losses arising from principal defaults on substantially all types of securities acquired by the pool. The bond provides unlimited coverage on principal losses, except for U.S. Government and Agency securities, reduced by any FDIC and State of Wisconsin Guarantee Fund insurance.

(3) PROPERTY TAXES

The County's property taxes are levied on or before December 31 on the equalized valuation as of the prior January 1 for all general property located in the County. The taxes are due and payable in the following year. Such amounts are recorded as property taxes receivable and deferred revenues in the accompanying financial statements. The aggregate levy of \$77,557,456 will be recognized as revenue during 2002.

Property taxes are recognized in the appropriate fund as revenues in the succeeding year when they are collected and available to finance services. If not collected by July 31st the delinquent property taxes are recorded as receivables and deferred revenues in the General Fund. Delinquent property taxes are recognized as revenue when collected. Simple interest and penalty of 1 1/2 percent per month on delinquent property taxes are assessed by the County and recognized as revenue when received.

The County purchases uncollected property taxes from other taxing authorities at the unpaid amount to facilitate the collection of the taxes. The purchases are a financing arrangement and are not included in property tax revenues.

Local treasurers collect property taxes levied, typically through the last day of January in each year. At this time, a settlement process between the county treasurer and local treasurers determines the amount due the various taxing districts. Tax collection becomes the responsibility of the County and taxes receivable represent unpaid taxes levied for all taxing entities within the County. The exceptions to this process are the Cities of Muskego, New Berlin, Oconomowoc and Waukesha and the Villages of Mukwonago and Sussex, wherein the settlement process does not occur until August of each year. Periodic advances from these taxing districts to the County are made prior to August of each year.

On August 31, the tax lien date, all unpaid taxes are reflected as tax certificates. No allowance for losses on delinquent taxes has been provided because of the County's demonstrated ability to recover any losses through the sale of the property.

Delinquent property taxes purchased from other taxing authorities are shown as reservations of fund balance at year-end. Delinquent property taxes levied by the County are shown as deferred revenue and are excluded from the fund balance until collected.

At December 31, 2001, delinquent property taxes by year levied consisted of the following:

Tax Certificates	Total	County Levied	County Purchased
2000	\$3,864,980	\$458,387	\$3,406,593
1999	1,416,018	162,984	1,253,034
1998	503,004	59,505	443,499
1997	36,486	4,572	31,914
1996	23,424	2,787	20,637
1995	15,425	1,728	13,697
1994 and Prior	30,501	3,477	27,024
Tax Deeds	137,146	15,929	121,217
Total Delinquent Property Taxes Receivable	\$6,026,984	\$709,369	\$5,317,615

(4) FIXED ASSETS

The following is a summary of changes in the General Fixed Assets Account Group during the year:

	Balance January 1, 2001	Adjustments	Additions and Transfers In	Deductions (Disposals) and Transfers out	Balance December 31, 2001
Land	\$9,404,585	\$0	\$2,830,768	\$0	\$12,235,353
Buildings	84,762,578	0	2,306,028	0	87,068,606
Improvements (other than buildings)	9,210,184	0	747,777	0	9,957,961
Machinery and Equipment	17,323,664	0	1,098,628	84,822	18,337,470
Vehicles	2,160,809	0	405,220	467,314	2,098,715
Construction in Progress	4,670,888	630,090	2,834,803	3,010,676	5,125,105
Total	\$127,532,708	\$630,090	\$10,200,914	\$3,562,812	\$134,800,900

The following is a summary of proprietary fund type fixed assets at December 31, 2001:

	Enterprise	Internal Service
Land	\$10,288,747	\$ -0-
Buildings	18,461,081	4,125,962
Improvements other than building	18,105,600	22,089
Machinery & Equipment	6,538,865	8,093,686
Vehicles	195,910	9,762,661
Construction in Progress	188,012	0
Total	53,778,215	22,004,398
Less accumulated depreciation	(11,797,209)	(8,615,230)
Fixed Assets – Net	\$41,981,006	\$13,442,935

(5) DUE FROM OTHER GOVERNMENTS

Source:	Amount
Federal:	
CDBG Grants	\$1,181,012
Dept of Aging Grants	126,094
Dept of Justice/U.S. Marshal	215,722
Other Federal	60,330
State:	
Health and Human Services Aid	5,141,386
Dept of Transportation	1,965,113
Other State	2,046,508
County and Municipal	660,119
Total	\$11,396,284

(6) CONTRIBUTED CAPITAL

During the year, contributed capital changed by the following amounts:

	Enterprise Funds	Internal Service Funds
Balance January 1, 2001	\$23,629,998	\$9,240,445
Contributions	(51,227)	(90,496)
Amortizations	0	0
Balance December 31, 2001	\$23,578,771	\$9,149,949

(7) LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations of the County for the year ended December 31, 2001:

	General Long-Term Obligations Account Group
Balance January 1, 2001	\$64,404,043
Additions during the year:	
Compensated Absences	30,742
General Obligation Refunding Notes of 2001 Series A for current refunding	16,330,000
General Obligation Promissory Notes of 2001 Series B	9,900,000
Total Additions:	26,260,742
Deductions during the year:	
Retiree Health Insurance	(50,626)
Unfunded Pension Liability	(3,613,804)
Debt Retirement	(24,500,000)
Total Deductions:	(28,164,430)
Balance December 31, 2001	\$62,500,355

The long-term debt described below is backed by the full faith and credit of the County and as of December 31, 2001 is comprised of the following individual issues:

<u>General Obligation Promissory Notes</u>	<u>Balances</u>
\$9,800,000 - Series 1997A due in annual installments ranging from \$400,000 to \$2,000,000 through December 1, 2006; True interest cost 4.69%	7,700,000
\$9,800,000 - Series 1998A due in annual installments ranging from \$200,000 to \$2,725,000 through December 1, 2007; True interest cost 4.28%	6,600,000
\$9,900,000 - Series 1999A due in annual installments ranging from \$300,000 to \$2,000,000 through December 1, 2008; True interest cost 4.21%	8,800,000
\$9,900,000 - Series 2000A due in annual installments ranging from \$100,000 to \$2,000,000 through December 1, 2009; True interest cost 5.00%	9,600,000
\$16,300,000 - Series 2001A current refunding note due in annual installments ranging from \$1,515,000 to \$5,520,000 through December 1, 2005; True interest cost 4.99%	16,330,000
\$9,900,000 - Series 2001B due in annual installments ranging from \$100,000 to \$2,250,000 through December 1, 2010; True interest cost 4.30%	9,900,000
Compensated absences (Note 1K)	3,470,457

Retiree Health Insurance (Note 1L)

99,898

Total long-term obligations

\$62,500,355

The annual principal and interest payments on all general obligation debt on outstanding promissory notes as of December 31, 2001 are as follows:

Year	General Long-Term Obligations Account Group
2002	\$11,182,400
2003	10,750,450
2004	10,474,650
2005	9,762,050
2006	9,021,900
2007	7,694,450
2008	6,033,700
2009	3,678,750
2010	1,567,500
Less amount representing interest	(11,235,850)
Total	\$58,930,000

\$3,528,774 is available in the Governmental Funds to service the general obligation debt.

By statute, the County's outstanding general obligation debt is restricted to 5% of the equalized value of all property in the County. Based upon an equalized value of \$31,816,827,400, the County is restricted to \$1,590,841,370 of general obligation debt. At December 31, 2001, \$58,930,000 of general obligation debt was outstanding. There are a number of limitations and restrictions contained in the various bond indentures and loan agreements. The County is in compliance with all significant limitations and restrictions.

(8) RISK MANAGEMENT/SELF INSURANCE

The County maintains a Risk Management program to safeguard its financial security by protecting its human, financial and property assets from the adverse impact of loss. Various techniques and programs are utilized to reduce the possibility of a loss from occurring and manage the adverse consequences should an event occur resulting in a loss. Risk treatment devices utilized include control, reduction, retention and transfer through proactive safety programs and loss control practices, contractual risk transfer, self insurance funding, and the purchase of insurance.

Public Entity Risk Pool

During 1987, the County, together with certain other units of government within the State of Wisconsin, created the Wisconsin Municipal Mutual Insurance Company (WMMIC), a nonassessable mutual company which provides liability insurance and risk management services to its members. The County became a member of WMMIC in 1987 by issuing a general obligation note for \$2,459,264 and investing the proceeds in WMMIC. The scope of insurance protection provided by WMMIC is broad, covering automobile liability, general liability, law enforcement liability, public official's errors and omissions, civil rights, incidental medical malpractice, personal injury, equal rights, and Americans with Disabilities Act at policy limits of \$5,000,000 per occurrence with no aggregate for general liability claims but with a \$15,000,000 aggregate for errors or omissions claims. The County's self-insured retention limit is \$250,000 for each occurrence and \$750,000 annual aggregate. At this time, settled claims have not exceeded the commercial coverage in any of the past three years. WMMIC's exposure in its layer of insurance is limited to \$500,000 per occurrence in that the company purchases \$4,500,000 per occurrence in reinsurance for losses in excess of its retained layer of coverage.

WMMIC is governed by one entity-one vote. Member entities include Waukesha County and the counties of Brown, Chippewa, Dane, Dodge, Eau Claire, Kenosha, LaCrosse, Manitowoc, Marathon, Outagamie, and St. Croix and the cities of Eau Claire and Madison. All member entities participate in the governing of the company. Its Board of Directors is made up of at least five representatives of the participating entities and the company's Charter allows for the appointment of two at large members to the Board of Directors. The participants elect the board members at the annual meeting. The board has the authority to adopt its own budget, set policy matters and control the financial affairs of the company.

The actuary for WMMIC determines the insurance premiums for each member based upon the relevant rating exposure bases as well as the historical loss experience by member. WMMIC's ongoing operational expenses, other than loss adjustment expenses, are apportioned pro rata to each participant based on equity interest in the company.

The participants' share in the operation of WMMIC as of December 31, 2001 is as follows:

	<u>Percentage</u>
Brown County	8.12
Chippewa County	3.60
Dane County	9.82
Dodge County	4.11
Eau Claire County	2.90
City of Eau Claire	4.25
Kenosha County	5.94
LaCrosse County	4.09
City of Madison	20.48
Manitowoc County	6.78
Marathon County	5.89
Outagamie County	7.63
St. Croix County	3.66
Waukesha County	<u>12.73</u>
Total	100.00

Summary financial information of the company as of December 31, 2001 is as follows:

Total assets	\$41,167,592
Total liabilities	\$9,575,330
Total surplus	\$31,592,262
Total revenues	\$4,465,710
Total expenditures	\$556,016
Net income	\$3,909,694
Outstanding debt	\$0

The County's investment in WMMIC is reported on the Risk Management Fund balance sheet as a deposit. The amount reported is the original capitalization of \$2,459,264. According to its bylaws, WMMIC allocates equity to members based on the percentage of participation. GASB pronouncements do not allow the current value of the County's account at WMMIC to be recorded as an asset. However, the amount is \$4,023,082. Separate financial statements can be obtained from WMMIC at their address of 4785 Hayes Road, Madison, Wisconsin, 53704-7364.

WMMIC requires that the County maintain a minimum reserve amount for the payment of claims equal to the expected present value of unpaid losses as determined by the company's actuary consultant. At December 31, 2001, the county's minimum reserve amount required by WMMIC is \$1,024,341. Risk Management's liability and worker's compensation reserves are accounted for in the same fund on a combined basis. The County has established a combined reserve in the amount of \$1,641,331, compared to a combined expected present value of loss amount of \$1,465,085.

Self-Insurance – Worker's Compensation

The County has also established a Risk Management program for worker's compensation. All funds of the County participate in this program. The Worker's Compensation internal service fund is maintained to

provide for self-insured worker's compensation insurance coverage and employee safety and loss control programs. The County contracts with a third party claims administrator for the purpose of adjusting worker's compensation claims. An excess insurance policy covers individual claims in excess of the County's \$250,000 self-insured retention up to statutory requirements (unlimited) per claim. At this time, settled claims have not exceeded the commercial coverage in any of the past three years. Costs associated with the worker's compensation program are billed to other County departments based on exposure and historical loss experience and include amounts necessary to fund current year claims to be paid in the current year and in the future.

At December 31, 2001, the expected present value of unpaid losses, as determined by the county's actuary consultant, is \$440,744. Risk Management's liability and worker's compensation reserves are accounted for in the same fund on a combined basis. The County has established a combined reserve in the amount of \$1,641,330, compared to a combined expected present value of loss amount of \$1,465,085.

Claims Liability

The County's objective is to provide a reserve confidence level not less than 75% but not more than 95% for liability and worker's compensation claims on a combined basis as a reflection of the County's risk tolerance. At December 31, 2001, the County's liability and worker's compensation combined claims reserve totals \$1,641,330, which represents a confidence level between 55-75%.

<u>Liability and Worker's Compensation Claims</u>	<u>2000</u>	<u>2001</u>
Unpaid Claims, including incurred but not reported - Beginning of Year	\$2,191,233	\$1,811,270
Current Year Claims and Changes in Estimates	536,334	402,921
Claim Payments	<u>(916,297)</u>	<u>(572,861)</u>
Unpaid Claims - End of Year	<u>\$1,811,270</u>	<u>\$1,641,330</u>

In addition, retained earnings can be analyzed as follows:

Reserves to Achieve 95% Confidence level	\$ 1,150,083
Reserves for losses not captured within actuary analysis (e.g. pollution liability, employment litigation back wages, etc.) and for Catastrophic Losses	2,239,214
WMMIC deposit	<u>2,459,264</u>
Total Retained Earnings	<u>\$5,848,561</u>

Self-Insurance - Health Coverage

The County has also established a self-insurance program for health claims. Claims are accounted for in the general fund, and are processed by a third party claims administrator.

The uninsured risk of loss is \$150,000 per individual claimant per year. The County has purchased commercial stop-loss insurance for claims in excess of the \$150,000 retention. In 2001, the plan experienced two claims that exceeded the \$150,000 specific stop loss retention. The total insurance reimbursement for these two claims was \$173,875. In addition, the health insurance claim payments shown below include self-funded dental. The dental plan was self-funded for all of 2001.

All funds of the county participate in the health care coverage program. Amounts payable to the general fund are based on actuarial estimates of the amounts necessary to pay prior and current year claims.

A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable. Liabilities include an amount for claims that have been incurred but not reported.

Claims Liability	<u>2000</u>	<u>2001</u>
Unpaid claims – Beginning of Year	\$2,143,778	\$617,947
Current year claims and changes in estimate	7,018,434	9,830,705
Claim Payments	<u>(8,544,265)</u>	<u>(9,863,316)</u>
Unpaid claims - End of Year	\$617,947	\$585,336

The County's health insurance reserve at December 31, 2001, while sufficient to meet 2001 claims, was below the level recommended by actuarial analysis by \$1.35 million. On December 14, 2001, the Board approved a 2002 transfer of this amount to the insurance reserve. See note 17 for additional information.

(9) INDIVIDUAL FUND DISCLOSURES

A. Individual fund interfund receivable and payable balances for overdrafts on pooled cash accounts at December 31, 2001 were as follows:

Receivables	Payables	Amount
General Fund	Transit Services	\$908,060

B. Individual balances for interfund advances at December 31, 2001 were as follows:

Receivables	Payables	Amount
General Fund	Ice Arena Fund	\$2,147,837
General Fund	Radio Services	6,167,648
General Fund	Risk Management	681,271
Risk Management	General Fund	500,000
Golf Course Fund	Ice Arena Fund	461,609
Total		\$9,958,365

- C. Retained Earnings - Purchase Orders/Appropriation Carryovers. Management has set the following amounts aside for purchase orders and appropriations carried over to 2002. These amounts are included in retained earnings.

Enterprise Funds	
Radio Services	\$1,522,247
Golf Course Fund	244,013
Materials Recovery Facility	128,004
Airport	423,384
Total	\$2,317,648
Internal Service Funds	
Vehicle/Equipment Replacement	\$91,463
Central Fleet	27,779
Records Management	70,042
Communications	69,920
Risk Management	83,714
Collections	72,206
End User Technology	110,118
Total	\$525,242

D. Individual Transfers In and Out:

Fund	Transfer In	Transfer Out
General Fund	\$740,000	\$2,952,780
Special Revenue Funds:		
Human Services Fund		150,000
Long Term Care		505,000
Mental Health Center		450,000
Highway Operations Fund		350,000
Walter Tarmann Fund	921,340	
Land Information System Fund	342,023	
Capital Projects Funds:		
1993 Capital Projects Fund		23,276
1994 Capital Projects Fund		176,724
1999 Capital Projects Fund	60,000	
2000 Capital Projects Fund	90,000	1,157,300
2001 Capital Projects Fund	1,985,000	159,950
Enterprise Funds:		
Radio Services Fund	1,076,667	
Golf Course Fund		250,000
Internal Service Funds:		
Collections Fund		40,000
End User Technology Fund	1,000,000	
Total	\$6,215,030	\$6,215,030

(10) ENTERPRISE FUND SEGMENT INFORMATION

The County maintains six enterprise funds which provide radio tower services, golf courses, convention and meeting facilities, ice rinks, recycling facility and airport services. Segment information for the year ended December 31, 2001 is as follows:

In Thousands of Dollars

	<u>Radio Services</u>	<u>Golf Courses</u>	<u>Exposition Center</u>	<u>Ice Arenas</u>	<u>Materials Recovery Facility</u>	<u>Airport</u>	<u>Total</u>
Operating Revenues	\$1,629	\$2,983	\$599	\$862	\$654	\$592	\$7,319
Depreciation Expense	190	228	88	162	284	866	1,818
Operating Income (Loss)	27	227	(131)	(68)	(718)	(727)	(1,390)
General Property Taxes			110			281	391
Operating Grants					1,103		1,103
Operating Transfers In (Out)	1,077	(250)					827
Net Income (Loss)	2,399	(25)	(21)	(71)	712	(956)	2,038
Capital Contributions	1,288					(513)	775
Fixed Asset Additions	121	785	112	11	188	271	1,488
Fixed Asset Retirements		194					194
Net Working Capital	3,138	1,676	20	743	7,062	1,144	13,783
Total Assets	11,513	6,021	1,990	6,791	9,482	26,629	62,426
Long-Term Liabilities	6,168			2,609			8,777
Total Equity	5,073	5,976	1,850	4,148	9,227	25,977	52,251

(11) **EMPLOYEES' RETIREMENT PLAN**

All eligible County employees participate in the Wisconsin Retirement System (System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year are eligible to participate in the System. Covered employees are required by statute to contribute 5.5% of their salary (4.1% for Elected Officials, and 4.1% for Protective Occupations with Social Security, and 4.4% for Protective Occupations without Social Security) to the plan. The County makes these contributions to the plan on behalf of the employees after six months of employment. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for county employees covered by the System for the year ended December 31, 2001 was \$56,146,371; the employer's total payroll was \$57,034,791. The total required contribution for the year ended December 31, 2001 was \$5,567,042, or 9.9 percent of covered payroll. Of this amount, 100 percent was contributed for the current year. Total contributions for the years ending December 31, 2000 and 1999 were \$5,577,792 or 10.5% of covered payroll and \$5,700,542 or 11.3% of covered payroll respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 55 for protective occupation employees), are entitled to receive a retirement benefit. Employees may retire at age 55, (50 for protective occupation employees), and receive actuarially reduced benefits. Retirement benefits are calculated at 1.6% (2.0% for elected officials and protective occupations with Social Security) of final average earnings for each year of creditable service. Final average earnings are the average of the employee's three highest years of earnings. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefit. For employees beginning participation after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 are immediately vested.

The System also provides death and disability benefits for employees. Eligibility for and the amount of all benefits is determined under Chapter 40 of the State Statutes. The System issues an annual financial report which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

There was no pension-related debt for the County as of December 31, 2001, as the County paid off its unfunded accrued prior service liability of \$3,421,538.

(12) **LEASES**

(A) The County, through the Airport Commission, oversees the overall operation of the airport, and is lessor of the facility under various operating leases for periods ranging from 2001 through 2031. Operating leases at December 31, 2001 provide for the following future minimum lease payments:

Year	Amount
2002	\$163,388
2003	150,601
2004	142,838
2005	130,513
2006	130,876
Thereafter	1,988,247
Total	\$2,706,463

(B) The County has entered into a master lease agreement with the WCTC Foundation for the rental of space in a building known as the Workforce Development Center. The lease covers a ten-year period beginning January 1, 1995 with one ten-year renewal option. The initial annual rate is set at \$11.00 per square foot with adjustments applicable annually based on the Consumer Price Index and pay back of any debt received by the Foundation for major capital improvements to the building during the first ten years.

The lease also provides for the County to sub-lease space. In 2001, the County sub-let all space at its cost to Curtis and Associates (Wisconsin Works contract), the Job Opportunity and Basic Skills and the Private Industry Council agencies. The resulting annual lease cost and actual 2001 lease cost are detailed below:

Minimum Annual Lease Cost (1997 thru 2004)	\$111,067
Actual Lease - 2001	\$119,172

(13) **LITIGATION**

From time to time, the County is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and Corporation Counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the County's financial position or results of operation.

14) **CONTINGENCIES AND COMMITMENTS**

State of Wisconsin 2001-2003 Budget Issues. The State of Wisconsin has projected a State budget deficit of \$1.1 billion for the fiscal year ending June 30, 2002. As a result, the Governor has proposed a "Budget Repair Bill" which would eliminate State shared revenues and related payments to local governments over a 1 to 3 year period.

While the budget repair bill is expected to be significantly modified by the State Legislature, the

Waukesha County Executive has already developed a plan to prepare for the possibility of losing the County's entire \$2.4 million shared revenue and County Mandate relief funds contained in the 2002 County budget. Of the \$2.4 million, the County has budgeted \$1.1 million in the operating budget and \$1.3 million in the Capital budget in 2002. If these budget adjustments are ultimately required to be enacted, the County's ability to meet all obligations and deliver necessary services will not be impaired.

Other Contingencies and Commitments. The County has received Federal and State grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grant. County management believes such disallowances, if any, would be immaterial.

During 2001, the County borrowed \$9,900,000 for the purpose of making various capital improvements. These monies, as well as other revenue sources, are reflected in the 2001 Capital Project Fund. At the end of 2001, the County had contracts outstanding for work to be done of \$3,045,785. The funding for these contracts will be provided out of the reserved balance in the Capital Project Funds.

(15) WAUKESHA COUNTY HOUSING AUTHORITY (COMPONENT UNIT)

This footnote is re-produced and edited from the Waukesha County Housing Authority financial report. References to detail statements only appear in the Waukesha County Housing Authority report.

(A) SIGNIFICANT ACCOUNTING POLICIES

Introduction – The Waukesha County Housing Authority, referred to as the Authority, was established for the purpose of engaging in the development, acquisition, and administrative activities of low-income housing programs and other programs with similar objectives.

The United States Department of Housing and Urban Development (HUD) has direct responsibility for administering the low-income housing programs under the United States Housing Act of 1937, as amended. HUD is authorized to enter into contracts with local housing authorities to make loans to assist the local housing authorities in financing the acquisition, construction and/or leasing of housing units and to make annual contributions (subsidies) to the local housing authorities for the purpose of maintaining the low-rent character of the local housing programs.

Reporting Entity – As required by generally accepted accounting principles, the general purpose financial statements of the reporting entity include those of the Waukesha County Housing Authority and any component units. Component units are separate legal entities that (1) elected officials of primary government are financially accountable for the entity of (2) the nature and significance of the relationship between the entity and a primary government are such that to exclude the entity from the financial reporting entity would render the general purpose financial statements misleading or incomplete. Based upon the application of these criteria, this report includes all programs and activities operated by the Authority. There were no additional entities required to be included in the reporting entity under these criteria in the current fiscal year. The Authority is a component unit of the County of Waukesha, Wisconsin.

A summary of each of the programs administered by the Authority included in the general purpose financial statements is provided below to assist the reader in interpreting the general purpose financial statements. These programs constitute all programs subsidized by HUD and operated by the Authority.

Basis of Presentation – Fund Accounting – The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The Authority has created a number of discrete funds within each fund type. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses. The individual funds account for the governmental resources allocated to them for the purposes of carrying on a specific program in accordance with laws, regulations, or other restrictions, including those imposed by HUD. The funds of the Authority are all considered Proprietary Fund Types. The Authority's proprietary funds are Enterprise Funds used to account for activities that are operated in a manner similar to those found in the private sector. The funds included in this category are as follows:

Voucher Program – This fund accounts for grants received and the respective expenditures of those receipts.

Certificate Program - This fund accounts for grants received and the respective expenditures of those receipts.

Business Activities – This fund accounts for activities of non HUD funds.

Basis of Accounting – All proprietary funds are accounted for using the accrual basis of accounting. Under this basis, revenues are recognized in the period earned and expenses are recognized in the period liabilities are incurred.

In applying the provisions of Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds, the Authority applies all GASB Pronouncements and all Financial Accounting Standards Board pronouncements, Accounting Principle Board Opinion, and Accounting Research Bulletins issued on or before November 30, 1989 which do not conflict with or contradict GASB pronouncements.

Budgets and Budgetary Accounting – The Authority is required by contractual agreements to adopt annual, appropriated operating budgets for all its Enterprise Funds receiving federal expenditure awards. All budgets are prepared on a HUD basis, which is materially consistent with GAAP. All annual appropriations lapse at fiscal year-end.

The Public Housing Programs prepares its budget annually. The Board of Commissioners adopts the budget through passage of a budget resolution and submits it to HUD at least ninety days prior to the beginning of the fiscal year.

Use of Estimates – The preparation of general purpose financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the general purpose financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – The Authority considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investments – Investments are stated at fair market value.

Prepaid Assets – Payments made to vendors for services that will benefit periods beyond September 30, 2001 are recorded as prepaid items.

Fixed Assets – Expenditures for fixed assets are capitalized at cost if the useful life is over 1 year. Depreciation is provided on a straight-line basis over the estimated useful lives as follows:

Equipment 5 – 10 yrs
Current depreciation is \$78.

(B) CASH AND INVESTMENTS

The Authority's cash and investments during the year consisted of the following:

- Deposits are in various financial institutions which are covered by the Federal Deposit Insurance Corporation (FDIC) or similar coverage.
- Government/Treasury securities held by Agent.
- Internally held petty cash funds and other cash on hand.

The Authority's cash and investments are categorized below to give an indication of the level of risk assumed by the entity at year-end.

- Category 1: Includes cash and investments that are insured, registered, or for which the collateral securities are held by the Authority or its agent in the Authority's name. This includes FDIC or equivalent insurance coverage.
- Category 2: Includes uninsured and unregistered cash and investments for which the collateral securities are held by the dealer's trust department or agent in the Authority's name.
- Category 3: Includes all other uninsured and uncollateralized cash and investments.

For all cash and investments shown below, the market value at the balance sheet date is substantially the same as the carrying value. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit. At various times during the year, the Authority's deposits were higher than the September 30, 2001 balance detailed below. This means that the Authority's risk and exposure could be higher at these times.

<u>Depository Balances by Category</u>				Total	Carrying
<u>Cash and Investments</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>Bank Balance</u>	<u>Amount</u>
Bank One	\$285,533	\$	\$	\$285,533	\$285,243
Associated Bank	7,498			7,498	7,498
Waukesha State Bank	<u>296,135</u>	<u> </u>	<u> </u>	<u>296,135</u>	<u>296,135</u>
TOTAL	<u>\$588,876</u>	<u>\$ </u>	<u>\$ </u>	<u>\$588,876</u>	<u>\$588,876</u>

(C) DUE FROM/DUE TO OTHER FUNDS

Interfund balances as of September 30, 2001 are as follows:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Voucher Program	\$ 0	\$186,843
Certificate Program	26,843	0
Business Activities	<u>160,000</u>	<u>0</u>
Total	\$186,843	\$186,843

(D) FIXED ASSETS

The changes in fixed assets during the year were as follows:

	<u>9/30/00</u>	<u>Additions</u>	<u>Subtractions</u>	<u>9/30/01</u>
Land, structures, and equipment	\$ 13,067	\$ -	\$ -	\$13,067
Less: Accumulated Depreciation	<u>(12,989)</u>			<u>(13,067)</u>
NET BOOK VALUE	<u>\$ 78</u>			<u>\$ -</u>

(E) PRIOR PERIOD ADJUSTMENTS

The balance of equity accounts for the beginning of the period is reconciled to the prior audited financial statement balances. See financial data schedules for details of prior period adjustments.

(F) ECONOMIC DEPENDENCY

The PHA Owned Housing Programs are economically dependent on annual contributions and grants from HUD. The programs operate at a loss prior to receiving the contributions and grants.

(16) LIMITATIONS ON THE COUNTY'S TAX LEVY RATE

Limits have been imposed on the property tax levy rates for Wisconsin counties. There are separate limits for the operating levy and the debt service levy. The baseline for the limits is the actual 1992 tax rate adopted for the 1993 budget. The operating levy rate and the debt levy rate cannot exceed the baseline rates unless the county qualifies for one of the exceptions allowed under the statute, as described below. The statute establishes specific penalties for failure to meet the freeze requirements. Among the penalties for exceeding the limits is reduction of state shared revenues and transportation aids. The operating levy rate can be exceeded only if responsibility for services is transferred to the county from another governmental unit (transfers by the County to other governmental units reduce the maximum rate) or if an increase in the maximum rate is approved at a referendum.

The debt service rate limit can be exceeded to the extent necessary to pay debt service on obligations authorized or issued prior to the effective date of the State's 1993-95 budget bill (August 12, 1993). Additional general obligation bonds or notes can be issued only if one of the following conditions is met: (a) the bonds or notes are approved at a referendum, (b) the county board adopts a resolution that sets forth its reasonable expectation that the issuance will not cause the county to exceed its debt levy rate limit, (c) the debt is issued for regional projects, (d) the debt is issued to refund existing debt or (e) the resolution authorizing the debt is approved by a vote of at least 3/4 of the members-elect of the county board. In addition, counties are prohibited from using the proceeds of general obligation bonds or notes to fund the operating expenses of the general fund of the county or to fund the operating expenses of any special revenue fund of the county that is supported by property taxes.

The 2001 tax levy rate is within the limitation contained in the State law.

(17) SUBSEQUENT EVENTS

In 2002, the level of health insurance reserves was increased by \$1,350,000 to meet actuarial recommendations.

On April 9, 2002, the County issued \$14,600,000 of General Obligation Promissory Notes, dated April 1, 2002, to finance part of the cost of capital improvements within the County.

(18) LONG-TERM RECEIVABLE FROM MUNICIPALITIES

As part of a countywide radio upgrade capital project, the County entered into 50/50 cost-share agreements with municipalities to finance the project's infrastructure costs. As part of the agreement, the County is providing interest-free financing to initial charter member municipalities over a nine-year period for infrastructure. The County is also providing interest bearing financing to municipalities for radio equipment purchases at the County's cost of capital of 4.2%. In 2000, the County recorded a long-term receivable from municipalities of \$1,784,458 in the radio services enterprise fund for infrastructure. Annual repayments began in 2000. In 2001, the County recorded an additional long term receivable from municipalities of \$3,891,900 for equipment. Annual

repayments for equipment began in 2001. The balance of the long-term receivable at December 31, 2001 is \$4,802,629.

(19) ADOPTION OF NEW ACCOUNTING STANDARD

On January 1, 2001, the County adopted the provisions of Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. This statement requires that proprietary fund type capital contributions from external parties be presented as revenues beginning in 2001. The balance in the County's contributed capital reflects the accumulated contributions until adoption of Statement No. 33. This balance will remain until the County adopts Governmental Accounting Standards Board Statement No. 34, effective for the County for the year ended December 31, 2002, when it will become part of the Net Assets section.

(20) EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

In 1999, the Governmental Accounting Standards Board (GASB) approved Statement Nos 33 and 34. These Statements require significant changes from the current method of financial reporting for all state and local governments in the United States. GASB Statement 33 *Accounting and Financial Reporting for Nonexchange Transactions* is effective for Waukesha County for the fiscal year beginning January 1, 2001. GASB Statement 34 *Basic Financial Statements-and Management Discussion and Analysis-for State and Local Governments* is effective for Waukesha County for the fiscal year beginning on January 1, 2002. These statements require retroactive application of certain accounting and reporting standards, which may restate portions of these financial statements.